



## **Technical Report: GSP Assessment and Country Export Survey**

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Under the preceding RAPID project, Southern Africa Global Competitiveness Hub advisors conducted a GSP Assessment and Export Survey in every SADC country with the exception of South Africa and Mauritius. The purpose of this exercise was to determine which products under AGOA could be exported to the US. For each country, the Hub has compiled a report on products that are currently exported in the region or other international markets as well as goods that could be produced but are not. The recommendations are based on interviews with key public and private sector officials, site visits and the list of duty/quota free AGOA GSP items. The GSP Assessment and Export Survey is by no means an exhaustive study and was designed to provoke thought and discussion about export diversification and provide a foundation for further investigation. The report will also serve in part as the basis for developing national AGOA strategies in each SADC country.

## **Botswana**

Presently, Botswana is exporting only garments to the US under AGOA. In 2002, Botswana has exported \$3.5 million of clothing in eight HTS categories. GSP exports to the US have declined by 19.2% and are largely concentrated in gold and precious metal jewelry and live birds. Botswana has recently been designated as an LDC country for the purposes of apparel, making garments from here more desirable and cheaper for US buyers. Certainly, Botswana can expand production in the apparel and textile sector to build on the LDC opportunity offered by AGOA. AGOA GSP provides duty/quota-free treatment to 127 HTS categories including leather, leather articles, and footwear. The average tariff for non-AGOA countries is over 17% with some footwear items ranging between 10% and 50%. AGOA also offers preferential access for beef and beef products to the US market which Botswana could develop to augment its sales to the EU. Glass, apparel and textile manufacturing are also sectors where Botswana could benefit. The Hub has made the following recommendations to the Government and private sector of Botswana:

- Encourage the development of a leather industry by attracting appropriate investment for each phase of production.
- Investigate the potential of glass manufacturing in Botswana for the US market.
- Continue to support the development of an apparel and textile industry in Botswana.
- Conduct a market study for hides and skins with a particular focus on developing a regional supply chain to initially support footwear and finished goods exports to the US from South Africa.
- Contact APHIS (Dr. Cheryl French) in Johannesburg about US Government requirements for the export of beef into the United States and complete the necessary paperwork to begin exporting.

The Hub will assist with these recommendations as our work plan and the Government of Botswana permits.

## **Lesotho**

Lesotho has benefited tremendously from AGOA in the garment manufacturing sector. Over \$ 400 million of exports in 52 categories have been sent to the US since April 2001. However, under AGOA, Lesotho only exports clothing. The Hub has encouraged both the public and private sectors to diversify their exports to include other eligible products. Asparagus is a high-value vegetable that has been historically grown in Lesotho for European and regional markets. The tariff reduction under AGOA GSP is 14.90% for preserved asparagus and 21.30% for fresh asparagus, offering a substantial advantage to Lesotho farmers over their global competitors. Lesotho also has a strong local hand weaving and handicrafts industry producing tapestries, clothing, blankets, shawls and similar household items for regional and international export. AGOA offers duty and quota-free benefits into the US market for approved handmade, hand-loomed and folkloric products encouraging women-owned and other small/medium-sized businesses. Footwear is another potential item for export. One company, Springfield Footwear, has been producing shoes for the South African market for many years and was approached by the Hub to consider the US. Certainly, they are well positioned to take advantage of the lucrative AGOA footwear provisions. The Hub has informally made the following recommendations to the Government and private sector of Lesotho:

- Revive the failing asparagus industry in Lesotho including a reevaluation of the canning facility, asparagus farming capabilities, and US regulations governing asparagus export.
- Support efforts of handmade, handloomed and folkloric manufacturers to export to the US, including financial support for trade shows and product promotion as well as identify sector as an important export and national industry.
- Encourage footwear exports to the United States by following up with Springfield Footwear and possibly other shoe manufacturers.
- Seek investment specific to the types of fabric required by existing garment manufacturers in Lesotho. The availability of fabric is key to the long-term success of the country's garment industry.

The Hub will assist with these recommendations as our work plan and the Government of Lesotho permits.

## **Malawi**

Since the passage of AGOA, Malawi has unfortunately not benefited as substantially from trade and foreign investment as some of the other Southern African countries. Distance to the market, poor infrastructure/transport, and political instability have all significantly reduced the country's ability to attract much needed investment. Malawi is heavily dependent on agriculture both for subsistence and export. While Malawi does export clothing to the US under AGOA, the bulk of its exports are agricultural. Since October 2002, Malawi has exported over \$25 million in AGOA eligible tobacco products to the US. GSP exports to the United States have plummeted in 2002 with a decrease of over 97% due in part to poor rains and general food shortages. Nuts –

Cashew, Macadamia, and Peanuts - have historically been a sizable export to the United States. Both GSP and AGOA GSP offer benefits under this category, especially for mixed nuts. In the case of Malawi, processing facilities for nuts would significantly increase both the product value-added and employment opportunities for Malawians. Certainly, both the market and the raw materials are available. The Hub has made the following recommendations to the Government and private sector of Malawi:

- Provide continuing support to the garment industry to grow exports from current companies and locate a buyer or partner for the David Whitehead Weaving assets.
- Develop strategy to build nut processing facilities in Malawi targeting mixed nuts exports to the US and the region.
- Investigate the possibility of regional cooperation with other nut growing countries such as Tanzania and Mozambique to work together towards value-added and export goals.
- Support companies producing handmade, hand-loomed and folkloric products for the US market with financial assistance to attend trade shows and promote their products.

The Hub will assist with these recommendations as our work plan and the Government of Malawi permits.

## **Mozambique**

According to October 2002 reports, Mozambique has exported approximately \$2 million in products to the US. This figure has dropped significantly from 2000, largely due to the floods, and is improving this year for a year-to-date increase of 43%. Mozambique has only recently begun exporting clothing to the US under AGOA; however, the country has great potential. The Mozambican government, like Tanzania and Zambia, supported the textile industry heavily during the socialist era. Sadly, those investments are sitting dormant in many locations across the country. New investment has been attracted to revive the industry but it is a long-term endeavor. Mozambique continues to export large quantities of cashew, macadamia and other nuts to the EU and US. Despite sizable yearly yields, almost all processing takes place outside of Africa, primarily in India. Mozambique has in the past exported some footwear to Europe. The benefits under AGOA for footwear are substantial and should be the focus of any developing export footwear industry. The not insubstantial Mozambican fishing industry can also benefit from AGOA providing the SPS/Food Safety concerns are resolved. The Hub has made the following recommendations to the Government and private sector of Mozambique:

- The Government of Mozambique should continue to support the garment industry and attract new investment in the sector. Mauritius could be an important regional partner for Mozambique and the government/private sector should create opportunities to engage Mauritian companies for mutual benefit.
- Renovate and find investment partners for defunct textile factories in Mozambique to encourage the local industry as well as support regional garment manufacturers.

- Provide support to the Mozambican fishing industry to satisfactorily resolve SPS/Food Safety concerns for export to the United States.
- Develop strategy to build nut processing facilities in Mozambique targeting mixed nuts exports to the US and region.
- Investigate the possibility of regional cooperation with other nut growing countries such as Tanzania and Malawi to work together towards value-added and export goals.
- Consider possibilities in the footwear sector for export to the United States.

## **Namibia**

Though Namibia has attracted major investment in the garment sector, as of October 2002, no exports have thus far entered the United States under AGOA. Ramatex, a Malaysian company, has located a vertically-integrated textile and garment facility in Windhoek and has the potential export 500 containers of t-shirts to the US a month. Two to three other garment companies have also set up nearby to export for the US market. Production has begun and shipping has commenced. Namibia also has a vibrant agricultural sector. Namibia exports primarily fish, meat and table grapes to the European Union and would like to take advantage of the duty-free opportunities under AGOA. All three products require approval from APHIS, FDA and USDA to be exported to the US and efforts have been made by both the Southern Africa Global Competitiveness Hub and the Government of Namibia to meet these requirements. A recent decision by USDA to place an APHIS representative in Gaborone at the Hub will hasten Namibia's approval for table grape exports to the US. Work will begin in earnest by March 2003. Namibia will also benefit from expanded usage of the Trans-Kalahari Highway and the Port of Walvis Bay for exports to the United States. The Hub team has worked very closely with the Walvis Bay Corridor Group and Namport to increase the number of Botswana companies using the route. The Hub has made the following recommendations to the Government and private sector of Namibia:

- Assist the Government of Namibia to meet the requirements for the export of meat (beef and others) to the US encouraging the country to diversify their markets.
- Work together with the Government of Namibia and USDA/APHIS/FDA to expedite the export of table grapes and fish to the US market. Following approval, provide any needed business linkage or development assistance.
- Encourage the Government of Namibia and other national stakeholders to support the export of hand-loomed and woven products to the US under Grouping 9 of AGOA.
- Compliment Hub and other stakeholders' efforts to promote and utilize the TKC and Port of Walvis Bay for export to the US.

The Hub will assist with these recommendations as our work plan and the Government of Namibia permits.

## **Swaziland**

Swaziland has benefited greatly from AGOA. AGOA exports valued at over \$82 million have increased by 74% since 2001. While garments make up 85% of all

AGOA exports, Swaziland does produce a wide variety of products. Swazican continues to successfully export processed fruit (pineapple, orange and grapefruit) and juice to the US increasing volumes by over 70% in four product categories. Swazican also exports four varieties of jams under regular GSP. Swaziland has a vital home and handicraft sector exporting regionally and internationally. Several companies are producing top quality products for both the home and apparel markets. This industry offers valuable assistance to rural women and small businesses providing jobs and income to economically undeveloped communities throughout Swaziland. As a result of the garment industries' achievements, investments in the textile industry are planned for Swaziland. Proton/Textray has revived a dormant yarn spinning plant and has begun production. The international conglomerate intends to make a \$25 million investment in knitting and dyeing and finishing producing cloth for their garment factory and other Swazi companies. Swaziland is also growing baby vegetables for export to Europe and South Africa. AGOA GSP offers duty-free opportunities for much of the produce grown by local farmers and the Hub has begun work with Namboard, the Swazi Agricultural Marketing Board, to respond to SPS/Food Safety and marketing issues. Glass products have been successfully exported to the United States under AGOA as well. Despite the progress Swaziland has made in job creation and investment attraction, the country's AGOA eligibility is threatened by the political activities of the government and the future trade benefits are uncertain at this time. The Hub has made the following recommendations to the Government and private sector of Swaziland:

- Determine if the government can assist Swazican to fully maximize their exports to the United States by examining the efficiency of the export supply chain.
- Encourage companies manufacturing handicrafts or glassware to export to the United States through trade show participation and utilization of government funds set aside for handicraft development.
- Support the garment industry through the attraction of appropriate textile mills to Swaziland and be proactive regarding dispute resolution in the sector.
- Provide necessary government assistance to the agricultural sector, particularly Namboard in terms of application and regulatory requirements for export to the US market.
- Investigate the possibility of exporting the essential oil of lemon, a by-product of citrus processing in Swaziland and an AGOA GSP eligible item.

The Hub will assist with these recommendations as our work plan and the Government of Swaziland permits.

## **Tanzania**

The big AGOA winner for Tanzania is definitely cut flowers. Tanzania has increased its exports of cut roses by over 1000% between 2001 and 2002 earning just over \$275,000 according to October 2002 data. While this is a relatively small figure overall, the quick increase in the volumes exported indicate the potential for this sector. The Tanzanian flower industry is dominated by local companies and has been a leading sector for local entrepreneur empowerment. Tanzania is also a major regional exporter of cashews and other nuts. GSP exports of shelled cashew nuts to

the United States have grown by 75% in the last three years and could expand further. This is another sector that has attracted citizen-owned businesses in the country. Leather, leather goods and footwear have great potential for Tanzania as hides are plentiful and to a certain extent, the infrastructure exists to finish the leather. Tanzania has been exporting leather products to the US in small quantities but could certainly increase its output given the lucrative tariff breaks provided by AGOA. Additionally, Tanzania could supply other companies with leather products as inputs to a regional supply chain for the export of finished leather goods and footwear. Tanzania has a wide-range of high quality crafts that if properly marketed could do well in the US market. Zanzibar exports a variety of spices to the United States but is limited in terms of adding value to its products. One company has been successfully manufacturing soaps, creams, and other body care products for the US using locally available spices and plants. As with Tanzania, crafts is another potential export for Zanzibar but certainly more could be done to explore the island's potential. The Hub has made the following recommendations to the Government and private sector of Tanzania:

- Assist flower growers and their associations with overcoming barriers to trade such as transport (ie. bulking) and SPS requirements for the US market.
- Develop strategy to build nut processing facilities in Tanzania targeting mixed nuts exports to the US and region.
- Investigate the possibility of regional cooperation with other nut growing countries such as Mozambique and Malawi to work together towards value-added and export goals.
- Invest resources in developing export opportunities in Zanzibar especially involving spice-related products and handicrafts.
- Promote the textile and apparel sector internationally, regionally and within Tanzania to attract investment and encourage local entrepreneur's interest in the industry.
- Provide assistance to the textile sector to renovate and invest in new machines. Most machines are outdated and cannot produce the yarn or fabric required by the US market.
- Support companies producing handmade, hand-loomed and folkloric products for the US market with financial assistance to attend trade shows and promote their products.

The Hub will assist with these recommendations as our work plan and the Government of Tanzania permits.

## **Zambia**

Though Zambia has not benefited a great deal from AGOA as of yet, the country has tremendous potential to export. According to November 2002 data, Zambia has exported only \$39,000 worth of products – all agricultural – under AGOA and overall GSP exports have declined over 76%. Zambia is a significant producer of vegetables for regional and international markets but has been largely unable to tap into the US market due to SPS/Food Safety concerns. Many products such as fresh asparagus have extremely high tariff rates that provide African exporters with a real comparative advantage. Zambia also produces cut flowers for the European market and has sent

some test orders to the US under AGOA. Unfortunately, exports have not grown significantly in 2002. Transport and an understanding of the market have been major obstacles for Zambian growers. Zambia, like Tanzania, has a developed leather sector and produces leather for footwear exported in the region. Zambia could be a major supplier for crust and finished leather as an input to a regional export supply chain for leather goods and footwear to the US. While Zambia has not exported apparel to the US under AGOA, the textile industry has provided cotton yarn to many companies throughout Southern Africa to produce the cloth eventually exported as garments. Zambia has several fabric mills and yarn spinners that with proper development could supply the region with the inputs needed for garment manufacturing. To a lesser extent, Zambia also produces handicrafts that could be exported to the US and should certainly be promoted. The Hub has made the following recommendations to the Government and private sector of Zambia:

- Provide every assistance to the private sector overcome SPS/Food Safety requirements for the US market.
- Assist Zambian flower growers to better access the US market by providing information on export opportunities and useful trade shows.
- Devise strategy on how to develop the leather sector for export and to supply the region with inputs.
- Support the modernization and further development of the textile industry especially in cotton as Dunavant Zambia grows some of the best cotton in the region.
- Support companies producing handmade, hand-loomed and folkloric products for the US market with financial assistance to attend trade shows and promote their products.

The Hub will assist with these recommendations as our work plan and the Government of Zambia permits.